

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
USIA-15 EB-08 TRSE-00 COME-00 AGRE-00 STR-05
INT-05 SIL-01 LAB-04 OMB-01 /094 W
-----120667 160831Z /12

R 151501Z SEP 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 1704
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY PARIS
AMCONSUL GOTEBOURG POUCH

UNCLAS SECTION 1 OF 2 STOCKHOLM 3944

USEEC

USOECD

E.O. 11652: N/A
TAGS: EGEN, SW
SUBJECT: SOCIAL DEMOCRATIC OPPOSITION PRESENTS PROGRAM FOR CURING
SWEDEN'S PRESENT ECONOMIC ILLS

REF: STOCKHOLM 3635, STOCKHOLM 3727

1. SOCIAL DEMOCRATIC PARTY OPPOSITION LEADER OLOF PALME PRESENTED PROGRAM FOR RESTORING SWEDEN'S ECONOMY TO HEALTH IN ADDRESS GIVEN BEFORE THE ON-GOING METALWORKERS UNION CONGRESS IN STOCKHOLM ON SEPTEMBER 13. PROGRAM CAN BE SEEN AS REPLY TO FALLDIN GOVERNMENT'S LATEST DEVALUATION PACKAGE (SEE REFTELS), WHICH CAUGHT SOCIAL DEMOCRATS EMPTY HANDED.

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2. MORE THAN ONE NON-SOCIALIST EDITORIAL CHARACTERIZED PALME'S ADDRESS AS CONSTRUCTIVE, AT LEAST IN COMPARISON WITH DEMAGOGIC CENSURE OF FALLDIN GOVERNMENT DELIVERED BEFORE METALWORKERS, CONGRESS EARLIER IN WEEK BY UNION BOSS BERT LUNDIN AND FORMER FINANCE MINISTER GUNNAR STRANG. THIS IS NOT TO SAY THAT PALME MISSED OPPORTUNITY OF CRITICIZING GOVERNMENT: ECONOMICS MINISTER BOHMAN WAS GIVEN HIS SHARE FOR

DEVALUATIONS, AND FALLDIN HIS FOR ENERGY POLICY, TO GIVE JUST TWO EXAMPLES.

3. PALME'S ADDRESS WAS FAIR TO GOVERNMENT INsofar AS HE PAINTED CORRECT PICTURE OF INTERNATIONAL ECONOMIC SITUATION. HE EVEN WENT SO FAR AS TO ADMIT THAT SOCIAL DEMOCRATS WOULD HAVE BEEN EXPERIENCE-ING DIFFICULTIES AT PRESENT HAD THEY REMAINED IN POWER. ON THE OTHER HAND, AS MIGHT BE EXPECTED AT UNION CONGRESS, PALME GLOSSED OVER PROBLEM OF OVERHIGH PRODUCTION COSTS IN SWEDEN.

4. MEASURES RECOMMENDED CONSTITUTED WHAT PALME CALLED A BOLD PROGRAM, BUT EDITORIALS DID NOT AGREE, SEEING THEM RATHER AS A FOLLOW-UP OF GOVERNMENT'S DEVALUATION PACKAGE AND HERALDING MOVES THAT FALLDIN INTENDS TO TAKE LATER THIS FALL.

5. SOCIAL DEMOCRATIC PROGRAM COMPRISES FOLLOWING MAIN MEASURES:

- A. GOVERNMENT-ASSISTED RESTRUCTURING OF INDUSTRIAL SECTORS IN DIFFICULTY. PALME MENTIONED SPECIFICALLY THE COMMERCIAL AND SPECIALTY STEEL SECTORS, CLOTHING AND TEXTILES, MINING INDUSTRY, FORESTRY, AND AUTOMOBILE INDUSTRY.
 - B. INSTEAD OF LOWERING PAYROLL TAX IN NEW YEAR FROM 4 TO 2 PERCENT, SOCIAL DEMOCRATS WANT TAX MONEY TO BE CHanneLED INTO WORKER-CONTROLLED "STRUCTURAL FUND" OF FOUR BILLION KRONOR (ABOUT \$825 MILLION) TO ASSIST IN ABOVE RESTRUCTURING PROCESS, THE ARGUMENT BEING THAT SELECTIVE ASSISTANCE IS MORE EFFICIENT THAN GENERAL ASSISTANCE (IN FORM OF LOWERED PAYROLL TAX TO ALL FIRMS).
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C. INVESTMENT IN GOVERNMENT-OWNED FIRMS MUST BE INCREASED. HERE, SOCIAL DEMOCRATS WANT TO SEE CONSTRUCTION OF NEW PELLETIZ-ING PLANT IN KIRUNA. ON SUBJECT OF CONTROVERSIAL STEELWORKS 80 PROJECT, WHICH HAS BEEN SHELVED BY FALLDIN GOVERNMENT, PALME SAID HIS PARTY HAS "NOT GIVEN UP IDEA OF CONSTRUCTING IT."

D. IMPROVED BORROWING FACILITIES FOR SMALL FIRMS (COMMENT: GOVERNMENT WILL BE SUBMITTING BILL ON THIS VERY SUBJECT SHORTLY).

E. INVESTIGATION OF IMBALANCE IN SWEDISH INVESTMENT ABROAD AND FOREIGN INVESTMENT IN SWEDEN.

F. LEGISLATION TO FREEZE DIVIDENDS AS REQUIRED.

G. MOBILIZATION OF RESEARCH AND DEVELOPMENT AND SUPPORT OF INNOVATORS AND TECHNOLOGICAL EDUCATION.

H. GREATER THRUST TO EXPORT DRIVES THROUGH EXPORT COUNCIL ACTIVITIES.

I. CONTINUED PRICE FREEZE ON GROCERY AND DAIRY ITEMS AFTER OCTOBER 1 AND INTENSIFIED PRICE SURVEILLANCE.

J. IMPROVED CREDIT AVAILABILITY FOR HOUSING CONSTRUCTION, REMOVAL OF 15-PERCENT TAX ON CONSTRUCTION INVESTMENTS, AND INTRODUCTION OF PRICE FREEZE ON CONSTRUCTION MATERIALS.

K. ALL PEOPLE UNDER 25 TO BE OFFERED EMPLOYMENT.

L. WAGE-EARNERS SHOULD HAVE SHARE OF PROFITS ACCRUING FROM DEVALUA-TION. (COMMENT: IT IS NOT CLEAR WHETHER PALME WAS HERE ENCOURAG-

ING AUDIENCE TO BID FOR HIGHER INCOMES NEXT YEAR OR REFERRING
TO WAGE-EARNER FUNDS).

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UNCLAS SECTION 2 OF 2 STOCKHOLM 3944

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M. PALME SAID WAGE-EARNER FUNDS (MEIDNER FUNDS) WERE "NECESSARY
REFORM IN THE LONG RUN" TO PROVIDE INDUSTRY WITH CAPITAL.

N. ADJUSTMENT OF INCOME TAX SCALES FOR 1978 IN ORDER TO FACILI-
TATE UPCOMING WAGE NEGOTIATIONS.

O. NO INDEXATION OF INCOME TAX SCALES.

6. PRIME MINISTER FALLDIN TOLD PRESS HE THOUGHT PALME "WAS JUST
CRITICIZING AND NOT REALLY PRESENTING ALTERNATIVES. IT IS NOT
ENOUGH TO DIRECT SELECTIVE MEASURES TO SECTORS IN DIFFICULTY. WE
ALSO NEED GENERAL SUPPORT MEASURES, AND THESE WE HAVE INTRODUCED."
FALLDIN SAID HE WAS HAPPY THAT PALME HAD NOW ADMITTED THAT STEEL,
SHIPBUILDING, AND TEXTILE PROBLEMS HAD NOT BEEN CREATED DURING
PRESENT GOVERNMENT'S TERM OF OFFICE.

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7. LABOR MINISTER AHLMARK THOUGHT ADDRESS CONTAINED POINTS ON WHICH CONSTRUCTIVE DIALOG COULD BE ESTABLISHED BETWEEN GOVERNMENT AND OPPOSITION. HE MENTIONED YOUTH EMPLOYMENT QUESTION, R AND D SUPPORT, AND EXPORT PROMOTION.

8. EXECUTIVE DIRECTOR LARS NABSETH OF INDUSTRY FEDERATION SAID HE COULD NOT FIND ANYTHING STRIKING OR NEW ABOUT PALME'S ADDRESS. HE WAS SKEPTICAL ABOUT SETTING UP "STRUCTURAL FUND."

9. COMMUNIST (VPK) PARTY LEADER WERNER AGREED WITH PALME IN CRITICISM OF FALLDIN GOVERNMENT BUT DID NOT THINK SOCIAL DEMOCRATS HAD GONE FAR ENOUGH, CALLING FOR NATIONALIZATION OF EVERYTHING.

10. EMBASSY FINDS NOTHING NEW OR DRAMATIC, IN THE SUGGESTIONS CONTAINED IN PALME'S 100-MINUTE DISCOURSE.
PERRY

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